

File

Stall Lake Mines



Annual Report — 1971

BOARD OF DIRECTORS: D. S. PATERSON, *Winnipeg, Man.*
F. E. COLE, *Winnipeg, Man.*
W. C. BRISBIN, *Winnipeg, Man.*
K. NUMEROW, *Winnipeg, Man.*
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AUDITORS: THORNE, GUNN, HELLIWELL & CHRISTENSON,
Winnipeg, Man.

GENERAL COUNSEL: K. NUMEROW — SIMMS, NUMEROW & CO.
Winnipeg, Man.

CONSULTING GEOLOGIST: W. C. BRISBIN, P.ENG., *Winnipeg, Man.*

TRANSFER AGENTS: CANADA PERMANENT TRUST COMPANY
Winnipeg, Man.,
Vancouver, B.C.

STOCK LISTED: THE WINNIPEG STOCK EXCHANGE
THE VANCOUVER STOCK EXCHANGE

DIRECTORS' REPORT

ROD CLAIMS — (SNOW LAKE, MANITOBA):

The past year has seen Falconbridge Nickel Mines Limited, our partner in the above claims, take numerous active steps to bring the ore body into production, which occurs on these claims. Progress has been achieved in many phases of the work, including:

1. The up-grading of the existing road into the property, the construction of a new road to the mine site and construction of a new road to the pumphouse on Wekusko Lake.
2. The clearing of trees and bush surrounding the proposed mine site and filling and leveling of the area which is one-half to one square mile in size.
3. The drilling of a pilot hole in the location of the shaft site just to the east of the ore body. The pilot hole was drilled to the depth of 1,875 feet and intersected the mineralized zone which contains our ore body at a level of approximately 900 feet below surface. Several additional mineralized zones were encountered at various other levels, the most interesting intersection being at the 1410 to 1420 foot level and containing traces of calcopyrite. It is anticipated that these new-found zones will be explored in detail once the shaft has been completed and the property is in production.
4. The acquisition of a concentrator and facilities which are ear-marked for our project. Much of this equipment has now arrived at the property.
5. The construction of various buildings and facilities to be used in mining and processing of the ore, including a powerhouse, warehouse, pumphouse, water supply system, sewage system, etc. At the time of writing, the buildings and facilities are in various stages of construction.
6. Excavating at the shaft site and the collaring of the shaft to a level of about 50 feet.
7. The construction of the headframe, ore bins and installation of the hoist, which are necessary before further shaft sinking can commence.

Present plans call for a three-compartment shaft to be sunk to a level of approximately 1,650 feet.

It is expected that, when completed, Falconbridge will have invested \$6 million to \$7 million in development and facilities to bring the property into production. Under our agreement with Falconbridge, all necessary funds will be supplied by Falconbridge on an interest-free basis. The mining and processing of the ore will be handled by a new company to be formed in which Falconbridge will have a 60% interest and Stall Lake a 40% interest.

As with all large projects, there are many problems which must be overcome before planning becomes reality. A good number of these problems have already been solved. Still to be solved is the problem of accommodation for the men who are and will be employed in the project. It is estimated that about 120 men will be required in the pre-production work and a staff of about 90 men during production. At the present time negotiations are being conducted with the Manitoba Government relative to this problem. The men who are now on the property are being housed in mobile facilities.

Power for the project will be obtained from the new transmission line, nearing completion, running from Kettle Rapids to the Snow Lake area. Until the line is operational, all power is being supplied by diesel generator.

In recent months progress by Falconbridge has been rapid and efficient and we look forward with great anticipation to the next stages of the development.

WILDNEST, SASKATCHEWAN CLAIMS:

Phase III of our exploration program concluded with diamond drill hole No. 75 in 1970. At that time it was estimated that the area of the property which was being explored contained 2,186,056 short tons averaging 0.61% copper and 1.35% zinc with variable gold and silver assays, the highest of which were .04 oz. gold per ton and .72 oz. silver per ton. The dimensions of this body are as follows: length 2100 feet, width up to 500 feet and thickness up to 85 feet.

Following completion of the diamond drill program mill tests were run on representative core samples. These tests indicated recovery rates of about 90% copper and 83% zinc.

Based upon the above information, together with other data compiled by your Company which would affect the economics of mining the body, and after considering the opportunities which were opening up for the acquisition of other interested properties in the Snow Lake area of Manitoba (more fully described under the heading "New Properties" it was decided that this project be held in abeyance until a preliminary exploration program on the new properties provided us with further information upon which to establish priorities.

One of the factors considered was that sufficient assessment work had been done to keep these claims in good standing until August 19, 1975 and that accordingly our rights to this property could be maintained for some considerable time without additional financial expenditures.

Stall Lake owns a 70% interest in these claims.

NEW PROPERTIES:

During the past year your Company has acquired interests in three separate properties in the Snow Lake base metal area of Manitoba.

The first property consists of three claim blocks numbered 3558, 3559 and 3560 containing a total of 840 acres which was staked on our behalf and is situated just to the northeast of the Rod claims on which our ore body occurs.

The second and third properties consist of options on a group of 7 claims known as the Canton claims and a further group of 18 claims known as the Kays claims respectively. The Canton claims are southwest of the Rod claims and the Kays claims are situated just south of the Wim claims on which Hudson's Bay Mining and Smelting have a known ore body. The geological setting in which the Wim ore body occurs extends into the Kays claims. We refer you to the map on page 8 which shows the locations of these properties in relation to other important landmarks in the area.

Since acquiring these claims your Company has conducted an extensive geophysical program over the whole of the ground including magnetic surveys and electromagnetic surveys. In planning the program and analyzing the results we have been able to take advantage of knowledge developed by earlier geophysics done in the area by other companies and also results obtained in earlier drilling of the properties. As a consequence we have a well developed picture of the mineral potential of each of the properties.

The finds of our program are briefly as follows:

1. Claim Blocks 3558, 3559 and 3560 — Eight separate conductors of variable strength have been identified with a total strike length of approximately 12,000 feet. Four of these conductors have strike lengths in excess of 2,000 feet each.
2. Canton Claims — Eight separate conductors of variable strength have been identified with a total strike length of approximately 5,700 feet. The largest of the conductors is 1,500 feet long.
3. Kays Claims — Fourteen separate conductors of variable strength have been identified with a total strike length of approximately 23,000 feet. Five of these conductors have strike lengths in excess of 2,000 feet each.

All of these anomalies and conductors have been recommended for further investigation by our geophysical consultants. Our consulting geologist is now in the process of determining priorities with a view to embarking upon a drill program.

Having regard to the proximity of the processing facilities being established on our Rod claims, any discovery on these properties could prove to be of economic importance.

COMMENTS

The past year has been an extremely active one for your Directors. With rapid progress being achieved in the primary objective of bringing the Rod claims into production, we have been able to devote more of our time and attention to long-term objectives and have greatly increased the pace of our exploration programs in search of other ore bodies. In addition to our efforts on the properties reported above we are continually searching for favourable properties which show good mineral potential and a number of properties are presently under active investigation and consideration.

The future taxation policies of the Federal Government have now been clarified and, although the proposed changes will bring increased taxation to the mining industry, the effect of the pending legislation does not appear to be as severe as contemplated by the White Paper. It appears that Governments at all levels have recognized the value of our industry to the Canadian economy and that the major factors that must be present to maintain a climate conducive to mineral exploration and development will be maintained.

Prospects for future increases in the price of copper appear bright with recent surveys indicating that world stockpiles of copper are being depleted. It also appears likely that the United States will exempt copper from the recently imposed surcharge on imports.

We are again indebted to the many shareholders who have contributed constructively to the achievements of the past year and look forward to their continued support in the future.

On Behalf of the Board

DONALD S. PATERSON
President.



General view of production site on the Rod Claims at Snow Lake.

George Bruce White – Wilford J. McSorley Bursary

For the third successive year this Bursary was awarded to a student in the first year of the Mineral Sciences Course at Keewatin Community College in The Pas, Manitoba. The Bursary honours the memory

of our late President, Mr. Wilford J. McSorley and our late Secretary-Treasurer, Mr. G. Bruce White, and also gives us the opportunity of assisting worthy students in the pursuit of post-secondary education.



Pump house under construction.

FINANCIAL REPORT

STALL LAKE MINES LIMITED
(Incorporated under the laws of Manitoba)
BALANCE SHEET - MARCH 31, 1971
(with comparative figures at March 31, 1970)

ASSETS		LIABILITIES	
	<u>1971</u>	<u>1970</u>	
CURRENT ASSETS			CURRENT LIABILITIES
Cash	\$ 1,019	\$ 4,962	Accounts payable and accrued liabilities
Guaranteed deposit receipts, plus accrued interest	150,500	196,560	
Marketable securities, at cost (quoted market value 1971 - \$16,422; 1970 - \$20,895)	26,352	26,352	
Accounts receivable	1,917	4,416	
Prepaid expenses and deposits	808	300	
	<u>180,596</u>	<u>232,590</u>	
			SHAREHOLDERS' EQUITY
INVESTMENTS, at cost			CAPITAL STOCK (note 4)
Scope Resources Limited			Authorized
96,500 Common shares (quoted market value 1971 - \$16,405; 1970 - \$35,705)	11,925	11,925	3,000,000 Common shares without par value
			Issued
			2,468,529 Common shares
			741,975 741,975
MINING CLAIMS, at cost (note 1)			
	<u>114,925</u>	<u>114,050</u>	
			54,132 55,589
			<u>687,843</u> <u>686,386</u>
			\$ 691,065 \$ 705,198
FIXED ASSETS (note 2)			
Building, machinery and equipment, at cost	<u>80,511</u>	<u>80,511</u>	
INTANGIBLES AND DEFERRED CHARGES			
Deferred exploration, development and administrative expenditures (note 3)	303,108	264,922	
Organization expense	<u>303,108</u>	<u>266,122</u>	
	<u>\$ 691,065</u>	<u>\$ 705,198</u>	

Approved by the Board

Director D.S. Paterson
Director K. Numerow

STALL LAKE MINES LIMITED

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT
AND ADMINISTRATIVE EXPENDITURES

YEAR ENDED MARCH 31, 1971
(with comparative figures for 1970)

	1971	1970
Exploration and development		
Snow Lake, Manitoba		
Mine supplies and expenses	\$ 878	1,338
Watchman's wages and benefits	3,468	3,333
Consulting fees and expenses	<u>4,346</u>	<u>1,570</u>
Less reimbursements	<u>3,841</u>	<u>3,445</u>
	<u>505</u>	<u>2,796</u>
Wildnest Lake, Saskatchewan (note 1)		
Consulting fees and expenses	4,067	1,633
Drilling	20,477	47,561
Property development expenditures	<u>24,544</u>	<u>63,194</u>
Less reimbursements	<u>24,544</u>	<u>11,153</u>
		<u>52,041</u>
Claim Blocks 3558, 3559, 3560		
Geophysical survey	2,000	
Supplies and expenses	<u>293</u>	
	<u>2,293</u>	
Red Lake, Ontario		
Prospecting	216	216
Geologist fees	<u>271</u>	<u>271</u>
	<u>487</u>	<u>487</u>
Administrative		
Accounting and audit	1,066	2,100
Office rent and telephone	2,249	1,425
Office supplies and general expenses	1,126	1,285
Officers' remuneration	7,200	9,485
Printing and postage	1,914	2,253
Salaries	3,545	3,347
Transfer agents' fees and expenses	4,851	2,042
Dues and subscriptions	106	
Travel and promotion	<u>464</u>	<u>21,937</u>
Expenditures for the year	<u>22,521</u>	<u>77,261</u>
Deduct interest and dividends earned	<u>11,677</u>	<u>19,252</u>
NET DEFERRED EXPENDITURES FOR THE YEAR	<u>38,186</u>	<u>58,009</u>
Balance deferred at beginning of year	264,922	207,400
	<u>303,108</u>	<u>265,409</u>
Less transfer to deficit		<u>487</u>
BALANCE DEFERRED AT END OF YEAR	<u>\$ 303,108</u>	<u>\$ 264,922</u>

STALL LAKE MINES LIMITED

STATEMENT OF DEFICIT

YEAR ENDED MARCH 31, 1971
(with comparative figures for 1970)

	1971	1970
Balance at beginning of year	\$ 55,589	\$ 47,921
Development expenditures (recoveries) on previously surrendered claims	(2,657)	209
Settlement of Heather claim		5,925
Transfer from deferred exploration, development and administrative expenditures		487
Deposit for options on abandoned Red Lake claims		1,645
Loss on sale of fixed assets	<u>1,200</u>	<u>223</u>
Organization expense written off	<u>54,132</u>	<u>56,410</u>
Deduct gain on sale of marketable securities	<u>821</u>	<u>821</u>
BALANCE AT END OF YEAR	<u>\$ 54,132</u>	<u>\$ 55,589</u>
SOURCE OF FUNDS		
Issue of capital stock	\$ 17,602	\$ 17,602
Proceeds from sale of equipment	885	885
Gain on sale of marketable securities	821	821
Sundry shares reclassified as current assets	<u>7,185</u>	<u>7,185</u>
	<u>26,493</u>	<u>26,493</u>
APPLICATION OF FUNDS		
Net deferred expenditures for the year	\$ 38,186	\$ 58,009
Staking of Claim Blocks 3558, 3559, 3560	875	
Deferred expenditures (recoveries) on previously surrendered claims	(2,657)	1,854
Settlement of Heather claim	<u>36,404</u>	<u>5,925</u>
	<u>36,404</u>	<u>65,788</u>
DECREASE IN WORKING CAPITAL	<u>36,404</u>	<u>39,295</u>
WORKING CAPITAL AT BEGINNING OF YEAR	<u>213,778</u>	<u>253,073</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 177,374</u>	<u>\$ 213,778</u>

STALL LAKE MINES LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1971

1. MINING CLAIMS

18 claims (M5819 to M5836) in the Snow Lake area, of The Pas Mining District, Manitoba, acquired by the issuance of 750,000 common shares. \$ 112,500

Under the terms of an agreement dated June 1, 1965, Falconbridge Nickel Mines Limited has acquired a 50% interest in these claims. The agreement further provides that should Falconbridge incorporate a new company to operate any of the claims and finance the development costs on an interest free basis, their interest would be increased to 60%.

48 claims in the Wildnest Lake area, of the Churchill Mining District, Saskatchewan, a 70% interest acquired for cash 1,550

Scope Resources Limited owns the remaining 30% interest in these claims. Future expenditures will be shared on a 70-30 basis.

3 block claims in the Snow Lake area, of The Pas Mining District, Manitoba, acquired for cash 875

\$ 114,925

2. FIXED ASSETS

All fixed assets are recorded at cost, no provision has been made in the account for depreciation on these assets.

	1971	1970
Building	\$ 17,606	\$ 17,606
Machinery and equipment	55,955	55,955
Jeep and trailer	6,950	6,950
	<u>\$ 80,511</u>	<u>\$ 80,511</u>

3. DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES

Snow Lake, Manitoba	\$ 216,490	\$ 205,142
Wildnest Lake, Saskatchewan	84,325	59,780
Fox Lake, Manitoba	2,293	
	<u>\$ 303,108</u>	<u>\$ 264,922</u>

Deferred expenditures reflect cumulative totals for these claims remaining in good standing. Cumulative totals of administrative expenditures, less interest and dividends earned, have been included in the Snow Lake, Manitoba expenditures.

4. CAPITAL STOCK

Options

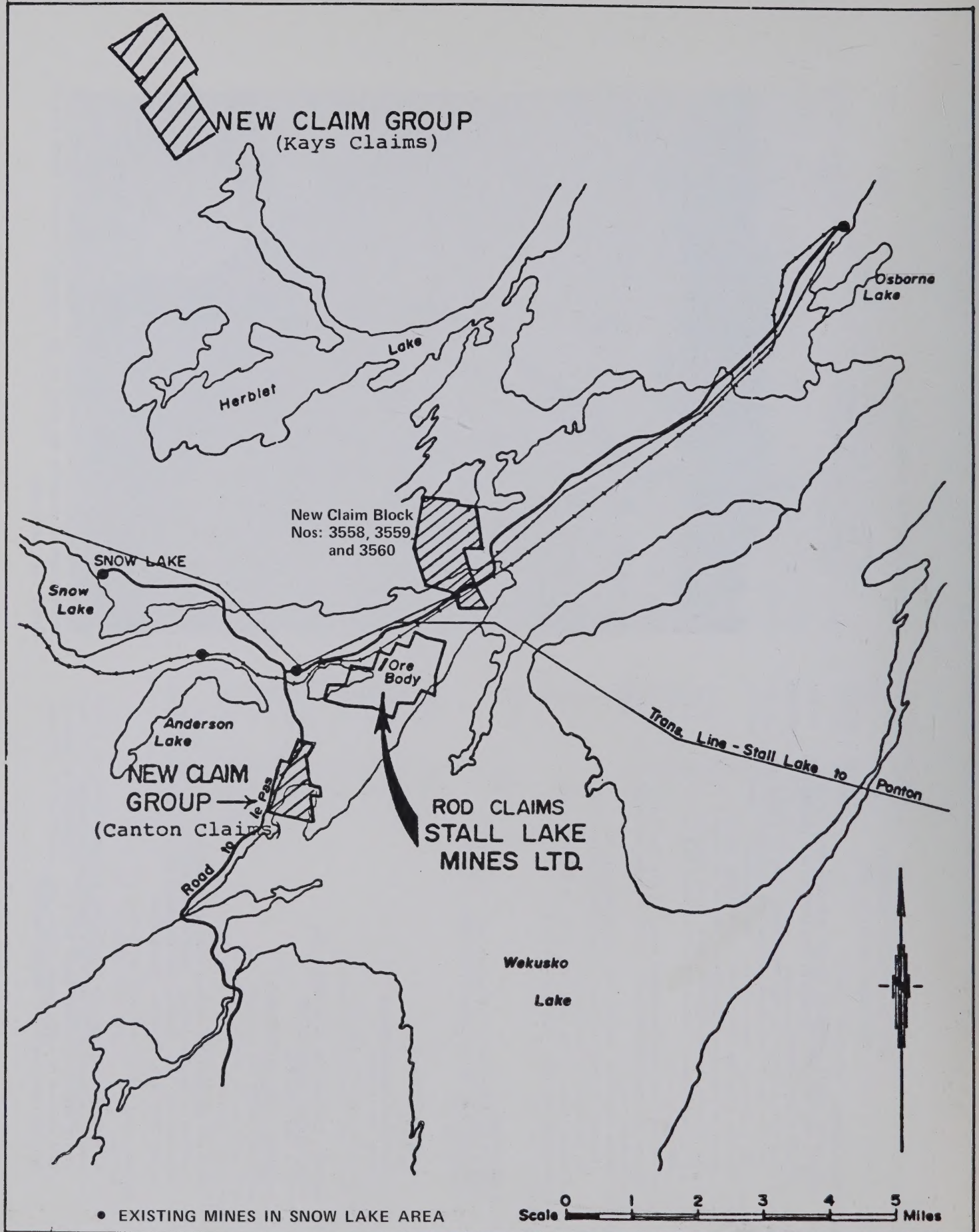
At March 31, 1971 options to officers for the purchase of 10,001 common shares at \$1.20 per share remained outstanding until their expiry date on or before April 18, 1971. Subsequent to March 31, 1971 options on 6,001 common shares were exercised by officers, and the remaining 4,000 options expired.

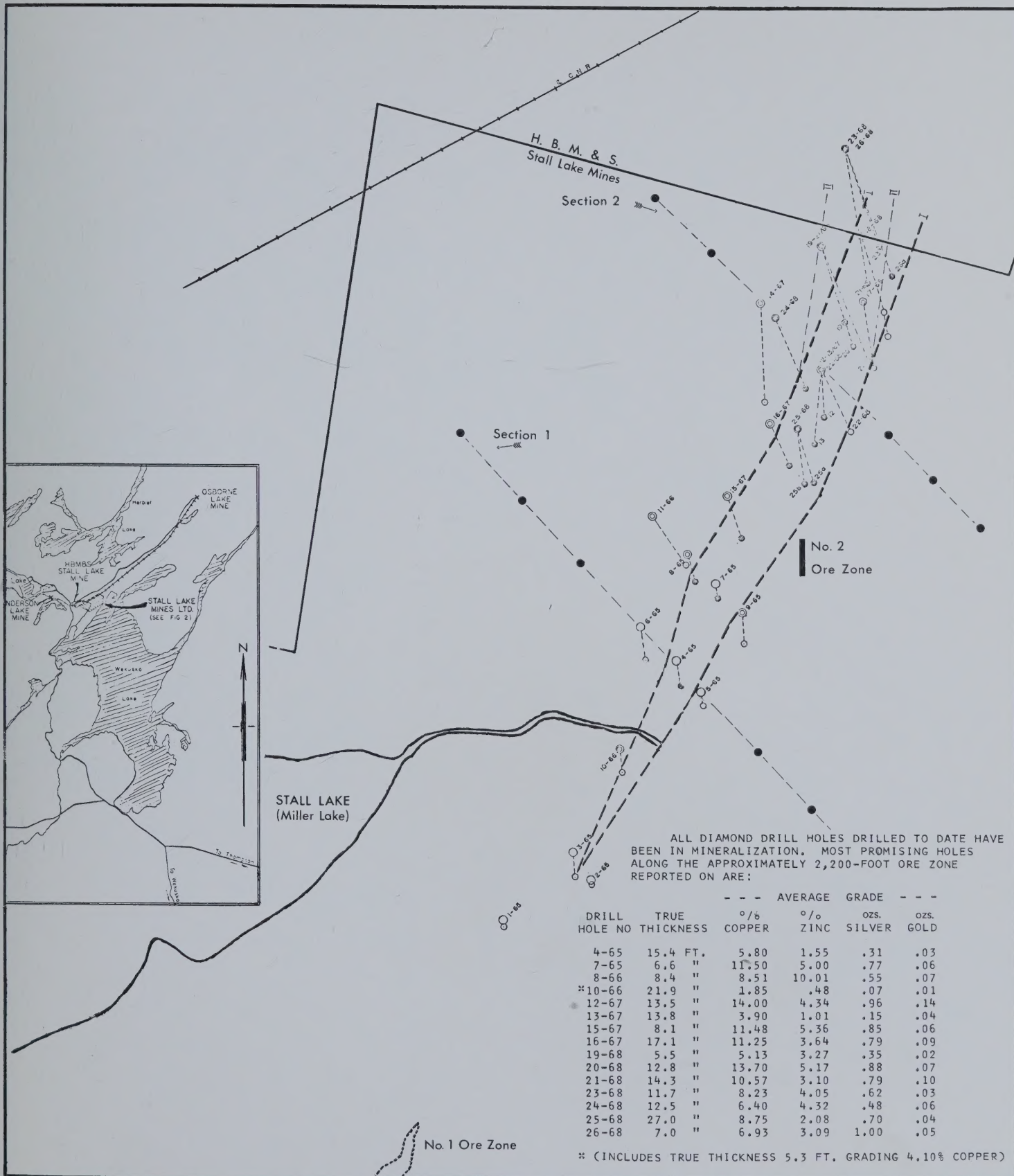
5. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers
(as defined by the Companies Act) was as follows
Directors and senior officers \$ 7,200 \$ 9,485
Other employees 3,345 3,347



Initial stages of collaring the shaft on the company's property south east of Snow Lake, Manitoba.







DRILLING RESULTS – WILDWEST LAKE

D.D.H. No.	Depth	Width of Mineralization	Cu	Zn	Au	Ag	D.D.H. No.	Depth	Width of Mineralization	Cu	Zn
1.		54.8	1.10	1.83	.06	.24	53.	81	2.8	1.65	.56
3.	317	10.6	.62	.19	.013	.41	55.	212	27.4	1.04	.25
4.		2.5	4.30	3.30	.020	.82	56.	257	22.1	.65	.33
9.	200	14.5	.93	1.58	.001	.07	58.	286	10.8	.70	.63
13.	286	18.9	2.50	.17	.014	.050	60.	356	6.0	.46	.47
15.	291	41.0	.86	1.40	.007	nil	62.		12	.27	tr
19.	321	1.8	2.30	.70	tr	tr	63.		22.5	.06	No Assay
35.	956	5.5	2.07	.01	.012	1.37	64.		6.5	.93	No Assay
39.	432	16.6	.47	1.50	.01	.29	*65.		52.0	.38	1.84
42.	503	16.0	1.17	.40	.02	.50	*66.		25.0	.96	5.48
44.	482	55.7	.98	.50	.01	.12	*67.		10.0	1.71	3.48
45.	502	9.0	1.90	tr	.01	.35					
46.	635	2.5	1.00	3.30	.01	.35					
51.	124	14.9	.92	.61							
52.	138	7.1	.96	.19							

*In hole No. 65 a 10.0 foot interval has average copper assay of 0.76%

*In hole No. 66 a 12.5 foot interval has average copper assay of 1.37%

*In hole No. 67 a 6.0 foot interval has average copper assay of 2.43%

Hole No.	Interval	% Cu.	% Zn.	Remarks	Hole No.	Interval	% Cu.	% Zn.	Remarks
68	Average for 58.7 ft. 439.0 to 497.7	0.85	1.53	Includes 17.0 ft. @ 1.50% Cu.	72	nil	no assay	no assay	Trace of mineral- ization only
69	Average for 60.1 ft. 420.5 to 480.6	0.53	1.09	Includes 9.3 ft. @ 1.04% Cu.	73	Average for 5.5 ft. 411.2 to 416.7	0.11	0.02	
70	Average for 74.6 ft. 491.0 to 565.6	0.54	1.96	Includes 15.0 ft. @ 0.97% Cu.	74	nil	no assay	no assay	Trace of mineral- ization only
71	Average for 17.0 ft. 529.0 to 546.0	0.30	0.20		75	Average for 90.0 ft. 601.9 to 691.9	0.35	2.25	Includes 20.0 ft. @ 1.06% Cu.